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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)*
[X] Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 1992 or

[ ] Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

Commission File No. 0-7152

Microfilmed By Q-Data Corporation St. Petersburg, FL

DEVCON INTERNATIONAL CORP.
(Exact name of Registrant as specified in its charter)

FLORIDA	59-0671992
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1350 E. NEWPORT CENTER DRIVE, SUITE 201, DEERFIELD BEACH, FL 33443
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:

(305) 429-1500

Securities registered pursuant to section 12(g) of the Act:

COMMON STOCK, $.10 PAR VALUE
(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

YES XX NO _____

As of June 30, 1992, the number of shares outstanding of the Registrant's Common Stock was 4,352,677.

DEVCON INTERNATIONAL CORP.
AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

DEVCON INTERNATIONAL CORP.
AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 1992 and December 31, 1991

	June 30, 1992 (Unaudited)	December 31, 1991 (Audited)
ASSETS		
Current assets		
Cash	$ 313,249	553,334
Cash equivalents	1,640,409	2,725,724
Receivables, net	23,798,678	23,128,424
Costs in excess of billings and estimated earnings	2,370,020	1,320,015
Inventories	8,591,826	8,186,654
Other	892,776	903,556
Total current assets	37,606,958	36,817,707
Property, plant and equipment, net	51,582,724	50,703,610
Investments in unconsolidated joint ventures and affiliates	1,804,489	1,782,489
Advances to unconsolidated joint ventures and affiliates	1,667,334	1,667,369
Receivables, net	15,114,075	15,510,606
Intangible assets, net of amortization	54,667	87,467
Other assets	1,134,450	1,083,829
	$108,964,697	107,653,077

See accompanying notes to consolidated financial statements.

DEVCON INTERNATIONAL CORP.
AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 1992 and December 31, 1991

	June 30, 1992 (Unaudited)	December 31, 1991 (Audited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes payable to banks	$ 4,715,913	4,223,990
Current portion of long-term debt	6,946,113	6,772,388
Accounts payable, trade and other	7,152,354	6,317,430
Accrued taxes, other than income taxes	387,385	427,201
Accrued expenses and other liabilities	2,469,615	3,773,849
Billings in excess of costs and estimated earnings	641,224	328,728
Income taxes	14,459	28,297
Net liabilities of discontinued operations	1,850,157	1,826,990
Total current liabilities	24,177,220	23,698,873
Long-term debt, excluding current portion	11,053,152	11,314,510
Minority interest in consolidated subsidiaries	597,742	585,262
Deferred income taxes	1,909,800	1,990,000
Total liabilities	37,737,914	37,588,645
Stockholders' Equity		
Common stock, $0.10 par value. Authorized 15,000,000 shares; issued and outstanding 4,352,677 shares	435,267	434,267
Additional paid-in capital	11,120,550	11,098,250
Retained earnings	59,670,966	58,531,915
Total stockholders' equity	71,226,783	70,064,432
	$ 108,964,697	107,653,077

See accompanying notes to consolidated financial statements.

DEVCON INTERNATIONAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Earnings and Retained Earnings
Three Months Ended June 30, 1992 and 1991 and
Six Months Ended June 30, 1992 and 1991
(Unaudited)

	Three Months Ended June 30, 1992	Three Months Ended June 30, 1991	Six Months Ended June 30, 1992	Six Months Ended June 30, 1991
Revenues:				
Contracting	$10,544,234	$12,756,661	$17,506,178	$25,658,442
Concrete and related products	11,041,602	13,709,008	22,491,519	26,673,411
Total revenues	21,585,836	26,465,669	39,997,697	52,331,853
Cost of contracting	9,492,105	11,782,390	16,151,380	23,480,553
Cost of concrete and related products	8,445,801	9,043,106	16,262,986	17,582,435
Gross profit	3,647,930	5,640,173	7,583,331	11,268,865
Selling, general & administrative expenses	2,876,971	2,292,105	5,503,519	4,462,990
Operating income	770,959	3,348,068	2,079,812	6,805,875
Other income (deductions):				
Equity in earnings (losses) of unconsolidated joint ventures and affiliates	-	25,000	-	55,000
Gain (loss) on sale of equipment	3,306	30,000	16,363	31,835
Interest expense	(294,918)	(573,515)	(711,637)	(1,138,069)
Interest and other income	143,240	225,108	320,759	484,981
Minority interest	-	-	(11,480)	-
Total other income (deductions)	(148,372)	(293,407)	(385,995)	(566,253)
Earnings before income taxes	622,587	3,054,661	1,693,817	6,239,622
Income taxes	60,000	146,000	120,000	269,000
Income From Continuing Operations	562,587	2,908,661	1,573,817	5,970,622
Loss From Discontinued Operations	-	(298,461)	-	(410,297)
Net Earnings	562,587	2,610,200	1,573,817	5,560,325
Retained earnings, beginning of period	59,325,011	63,814,156	58,531,915	61,080,209
Dividends paid	(217,632)	(216,177)	(434,766)	(432,355)
Retained earnings, end of period	$59,670,966	$66,208,179	$59,670,966	$66,208,179

DEVCON INTERNATIONAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Earnings and Retained Earnings

Three Months Ended June 30, 1992 and 1991 and
Six Months Ended June 30, 1992 and 1991

(Unaudited)

	Three Months Ended June 30, 1992	Three Months Ended June 30, 1991	Six Months Ended June 30, 1992	Six Months Ended June 30, 1991
Earnings (loss)per share				
Continuing operations	0.12	0.64	0.35	1.31
Discontinued operations	$ -	(0.07)	-	(0.09)
	$ 0.12	0.57	0.35	1.22

See accompanying notes to consolidated financial statements.

DEVCON INTERNATIONAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Six Months Ended June 30, 1992 and 1991

	1992	1991
Cash flows from operating activities:		
Net income	$ 1,573,817	5,560,325
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,538,343	2,937,884
Increase (Decrease) in deferred income taxes	(80,200)	217,000
(Increase) Decrease in equity in losses of unconsolidated joint ventures and affiliates	(22,000)	104,399
Gain on sale of equipment	(16,361)	(1,834)
Increase (Decrease) in minority interest	12,480	(166,959)
Cash flows from operating activities:		
Decrease in receivables, net	(241,531)	(3,276,273)
Increase in costs in excess of billings	(1,050,005)	(95,556)
Increase in inventories	(405,172)	(308,371)
(Increase) Decrease in other current assets	10,780	(736,612)
(Increase) Decrease in other assets	(50,622)	284,050
Increase (Decrease) in accounts payable, trade and other	(174,937)	3,232,442
Increase (Decrease) in billings in excess of costs	312,497	(2,753,955)
Net cash provided by operating activities	$ 3,407,089	4,996,540

(Continued)

DEVCON INTERNATIONAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)
Six Months Ended June 30, 1992 and 1991

	1992	1991
Cash flows from investing activities:		
Purchase of property, plant and equipment	$(4,462,154)	(4,993,381)
Proceeds from disposition of property, plant and equipment	93,860	5,928
Advances to affiliates	35	(167,190)
Issuance of notes	(419,972)	(1,643,442)
Payments received on notes	431,422	1,635,944
Net investing activities of discontinued operations	23,167	-
Net cash used in investing activities	(4,333,642)	(5,162,141)
Cash flows from financing activities:		
Proceeds from debt	2,516,195	1,147,190
Principal payments on debt	(2,603,828)	(2,564,067)
Proceeds from notes payable to banks	1,875,000	2,011,881
Payments on notes payable to banks	(1,383,077)	-
Payments for dividends	(434,768)	(432,355)
Net borrowings from bank overdrafts	(368,369)	(462,205)
Net cash provided by (used in) financing activities	(398,847)	(299,556)
Net (decrease) increase in cash and cash equivalents	(1,325,400)	(465,157)
Cash and cash equivalents at beginning of period	3,279,058	10,825,663
Cash and cash equivalents at end of period	$ 1,953,658	10,360,506

DEVCON INTERNATIONAL CORP.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

Six Months Ended June 30, 1992 and 1991

Supplemental disclosures of cash flow information:

Cash paid for:		
Interest	$ 983,283	1,413,890
Income taxes	$ 80,067	431,500

See accompanying notes to consolidated financial statements.

DEVCON INTERNATIONAL CORP.
AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries.

The accounting policies followed by the Company are set forth in Note (1) to the Company's financial statements included in its Annual Report on Form 10-K for the fiscal year ended December 31, 1991 ("1991 10-K").

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the Company's financial position as of June 30, 1992 and December 31, 1991, and the results of its operations for the three and six months ended June 30, 1992 and 1991 and cash flows for the six months ended June 30, 1992 and 1991. Certain reclassifications relating to cost of contracting and cost of concrete and related products have been made to prior quarter's financial statements to conform to the June 30, 1992 presentation. The financial statements for the quarter ended June 30, 1991 have been restated to reflect the marina operation as a discontinued operation.

The results of operations for the six months ended June 30, 1992 are not necessarily indicative of the results to be expected for the full year.

On March 28, 1990, the Company announced that it would begin paying quarterly cash dividends of five cents per share. The dividend for the first quarter, 1990, was paid on April 18, 1990, to shareholders of record on March 29, 1990. The Company announced on July 24, 1992 that it would suspend the payment of cash dividends, beginning with the payment that would otherwise have been made in the first quarter of 1993.

Discontinued Operations

A subsidiary of the Company is a 50 percent joint venture partner in a Virgin Islands general partnership formed in 1988 to construct and operate a marina on a 4.92 acre parcel of land leased by the joint venture from the United States Virgin Islands government. The lease is for a term of 20 years commencing in 1991 and contains a renewal option for an additional 10 years. The joint venture obtained a $5 million construction loan in June 1989 and completed construction of the marina dock and fuel facilities in December 1989. As required under the joint venture agreement, the Company's subsidiary and the Company guaranteed the construction loan. The marina opened for business in January 1990 and construction of the office and retail space was completed in November 1990.

For the year ended December 31, 1990, the joint venture reported a loss of approximately $811,000, of which the Company was allocated 50 percent. Under the joint venture agreement, the partners were required to advance working capital loans to the joint venture. The Company's partner was unable to fund its share of the loans and the Company loaned its partner the funds necessary to make such advances. Its joint venture partner has not repaid such advances as required, and pursuant to the terms of the joint venture

agreement, the Company may convert such advances into a 30 percent equity interest in the joint venture, giving the Company an 80 percent and controlling interest in the joint venture. Although the Company has not converted such advances into additional equity, the Company, upon replacing management in April 1991, effectively acquired control over the marina operations and began consolidating the marina financial statements with the financial statements of Devcon International Corp. and its other majority owned subsidiaries. The Company was allocated 100 percent of the 1991 loss of approximately $979,000.

Because of its poor operating results and uncertainty as to when it might become profitable, the Company has decided to sell the marina. Accordingly, at December 31, 1991, the marina operation was classified as a discontinued operation for financial statement presentation purposes. The marina assets were written down $2.2 million dollars, to their estimated net realizable value, and a reserve of $1.3 million dollars was established for marina losses for the period from January 1, 1992 to the disposal date. Losses totalling approximately $130,000 for the first six months of 1992 have been charged against this reserve.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CONSOLIDATED RESULTS OF OPERATIONS

Comparison of three months ended June 30, 1992 vs. three months ended June 30, 1991.

Revenues The Company's revenues during the second quarter of 1992 were approximately $21.6 million, as compared to approximately $26.5 million for the same period in 1991. This 18.4% decrease was primarily due to decreases in the Company's land development contracting division revenues in the United States and the Caribbean, and decreases in concrete and related products division revenues in the Caribbean.

The Company's concrete and related products division revenues decreased 19.5% to approximately $11.0 million during the second quarter of 1992 from approximately $13.7 million during the second quarter of 1991. This decrease was primarily due to decreased demand for this division's products on certain Caribbean islands, which was generated by a decline in overall construction activity and increased competition on one Caribbean island.

Revenues from the Company's land development contracting division decreased by 17.3% to approximately $10.5 million during the second quarter of 1992 from approximately $12.8 million during the second quarter of 1991. This decrease was primarily attributable to a decrease in the Company's contracting activities in the Caribbean islands, arising from an overall decrease in construction activity on certain islands, as well as the completion of several large projects and a decline in revenues generated by the Florida land development contracting division. Revenues from the Caribbean land development contracting division decreased to approximately $2.5 million for the second quarter of 1992 from approximately $4.3 million for the same period in 1991. Revenues from the Florida land development contracting division decreased to approximately $8.0 million for the second quarter of 1992 from approximately $8.5 million for the same period in 1991, primarily as a result of completing previously backlogged work.

Cost of Contracting Cost of contracting as a percentage of land development contracting revenues decreased to approximately 90.0% in the second quarter of 1992 from approximately 92.4% in the second quarter of 1991. This decrease is primarily attributable to the recognition of profits on certain contracts by the Florida land development contracting division and the closing of certain Florida contracts which had significant cost overruns in prior periods. In addition, the Company's gross margins are also affected by the varying profitability levels of individual contracts and the stage of completion of such contracts.

Cost of Concrete and Related Products Cost of concrete and related products as a percentage of concrete and related products revenues increased to approximately 76.5% in the second quarter of 1992 from approximately 66.0% in the second quarter of 1991. This increase was primarily attributable to

significant employee termination costs incurred by the Company and the decrease in revenues recognized which has resulted in an underabsorption of fixed operating costs.

SG&A Expense Selling, general and administrative expense ("SG&A expense") increased to approximately $2.9 million during the second quarter of 1992 from approximately $2.3 million during the second quarter of 1991. This increase was primarily attributable to increases in insurance premiums, legal fees and expenses related to the hiring of several new management employees in the United States and certain Caribbean subsidiaries. As a percentage of revenue, SG&A expense increased to 13.3% for the second quarter of 1992 from 8.8% for the second quarter of 1991. This percentage increase was primarily attributable to the decline in revenues recognized and increase in SG&A expenses actually incurred.

Divisional Operating Income Operating income decreased to approximately $772,000 during the second quarter of 1992 from approximately $3.3 million during the second quarter of 1991. The Company's concrete and related products division operating income decreased to approximately $1.1 million during the second quarter of 1992 from approximately $3.3 million during the second quarter of 1991. This decrease is primarily attributable to decreases in revenues in the Caribbean operations, coupled with a higher cost of sales in certain Caribbean operations.

The Company's land development contracting division operating income increased to an income of approximately $132,000 during the second quarter of 1992 as compared to income of approximately $37,000 during the second quarter of 1991. This increase is primarily attributable to a reduction in losses incurred by the Florida contracting division.

Equity in Earnings (Losses) of Unconsolidated Joint Ventures and Affiliates Equity in Earnings of unconsolidated joint ventures and affiliates was zero during the second quarter of 1992 as compared to income of $25,000 during the second quarter of 1991.

Interest Expense Interest expense, net of interest capitalized on self constructed assets decreased to $294,918 during the second quarter of 1992 from $573,515 during the second quarter of 1991. This decrease was primarily due to a reduction in interest rates on debt outstanding, retirement of certain installment debt and the capitalization of approximately $140,000 of interest during the second quarter of 1992.

Interest and Other Income Interest and other income decreased to $143,240 in the second quarter of 1992 from $225,108 in the second quarter of 1991. This decrease was due primarily to a decrease in the amount of the Company's short-term investments and a decrease in interest rates on such investments.

Minority Interest Minority interest expense was zero in both the second quarters of 1992 and 1991.

Income Taxes Income taxes decreased to $60,000 for the second quarter of 1992 from $146,000 for the second quarter of 1991. This is due to the decrease in earnings and a reduction of the related income tax provision for such earnings. Income taxes as a percentage of earnings before income taxes was approximately 9.6% in the second quarter of 1992 as compared to approximately 4.9% in the second quarter of 1991. The effective tax rate varies depending on the level of the Company's earnings in the various tax jurisdictions in which it operates.

Net Earnings The Company's net earnings decreased to approximately $563,000 during the second quarter of 1992 from approximately $2.9 million for the same period in 1991. This decrease is primarily attributable to a reduction of contract volume in the land development contracting division and reductions in sales volumes and profit margins in the concrete and related products division.

Comparison of six months ended June 30, 1992 vs. six months ended June 30, 1991.

Revenues The Company's revenues during the first six months of 1992 were approximately $40.0 million as compared to approximately $52.3 million for the same period in 1991. This 23.6% decrease was primarily due to decreases in the Company's land development contracting revenues in the United States and the Caribbean and decreases in concrete and related products division revenues in the Caribbean.

The Company's concrete and related products division revenues decreased 15.7% to approximately $22.5 million during the first six months of 1992 from approximately $26.7 million for the same period in 1991. This decrease was primarily due to decreased demand for this division's products on certain Caribbean islands, which was generated by a decline in overall construction activity and increased competition on one Caribbean island.

Revenues from the Company's land development contracting division decreased by 31.8% to approximately $17.5 million for the first six months of 1992 from approximately $25.7 million for the first six months of 1991. This decrease was primarily attributable to a decrease in the Company's contracting activities in certain Caribbean islands and a decline in revenues generated by the Florida land development contracting division. Revenues from the Caribbean land development contracting division decreased to approximately $5.5 million for the first six months of 1992 from approximately $9.1 million in the first six months of 1991. Revenues from the Florida land development contracting division decreased to approximately $12.0 million for the first six months of 1992 from approximately $16.5 million for the same period in 1991.

Cost of Contracting Cost of contracting as a percentage of land development contracting revenues was approximately 92.3% during the first six months of 1992 and approximately 91.5% for the same period in 1991. This increase is attributable to the decrease in Florida construction activity in general, increased competition for work available, which results in lower margins on work obtained, and cost overruns on certain Florida and Caribbean contracts. In addition, the Company's gross margins are also affected by the varying profitability levels of individual contracts and the stage of completion of such contracts.

Cost of Concrete and Related Products Cost of concrete and related products as a percentage of concrete and related products revenues was approximately 72.3% for the first six months of 1992 as compared to approximately 65.9% for the same period in 1991. This increase was primarily attributable to significant employee termination costs incurred by the Company and the decrease in revenues recognized, which has resulted in an underabsorption of fixed operating costs.

SG&A Expense Selling, general and administrative expense ("SG&A expense") increased by 23.4% to approximately $5.5 million during the first six months of 1992 from approximately $4.5 million during the first six months of 1991.

This increase was primarily attributable to increases in insurance premiums, legal fees and expenses related to the hiring of several new management employees in the United States and certain Caribbean subsidiaries. SG&A expense as a percentage of revenue increased to 13.8% during the first six months of 1992 from 8.5% during the first six months of 1991. This percentage increase was primarily attributable to the decline in revenues recognized and increase in SG&A expense actually incurred.

Divisional Operating Income Operating income decreased to approximately $2.1 million during the first six months of 1992 from approximately $6.8 million during the same period in 1991. The Company's concrete and related products division operating income decreased 48.7% to approximately $3.3 million for the first six months of 1992 from approximately $6.3 million for the first six months of 1991. This decrease is primarily attributable to decreases in revenues of certain Caribbean operations, coupled with a higher cost of sales on certain Caribbean operations.

The Company's land development and contracting division operating income decreased 170.0% to a loss of approximately $346,000 during the first six months of 1992 from income of approximately $494,000 during the first six months of 1991. This decrease is primarily attributable to the losses incurred by the Florida contracting division along with reductions in contracting activity in the Caribbean.

Equity in Earnings (Losses) of Unconsolidated Joint Ventures and Affiliates Equity in Earnings of unconsolidated joint ventures and affiliates was zero for the first six months of 1992 as compared to income of $55,000 for the first six months of 1991.

Interest Expense Interest expense decreased to $711,637 during the first six months of 1992 from $1,138,069 during the first six months of 1991. This decrease was primarily due to a reduction in the interest rates on debt outstanding, retirement of certain installment debt, and the capitalization of approximately $140,000 of interest during 1992.

Interest and Other Income Interest and Other Income decreased to $320,759 during the first six months of 1992 from $484,981 during the first six months of 1991. This decrease was substantially attributable to a decrease in the Company's short-term investments as a result of non-financed fixed asset additions and increases in accounts receivable, and in additon, decreases in interest rates on investments.

Minority Interest Minority interest expense was $11,480 for the first six months of 1992 as compared to zero for the first six months of 1991. This increase was attributable to the recognition of a minority interest liability that had been previously recognized on an annual basis only.

Income Taxes Income taxes decreased to $120,000 for the first six months of 1992 from $269,000 for the first six months of 1991. This decrease is due to the decrease in earnings and a reduction of the related income tax provision for such earnings. Income taxes as a percentage of earnings before income taxes was approximately 7.1% for the first six months of 1992 as compared to approximately 4.3% for the same period in 1991. The effective tax rate varies depending on the level of the Company's earnings in the various tax jurisdictions in which it operates.

Net Earnings The Company's net earnings decreased approximately 73.3% from the first six months of 1992 as compared to the same period in 1991. This decrease in net earnings to approximately $1.6 million during the first six months of 1992 from approximately $6.0 million for the first six months of 1991 was primarily attributable to significantly higher losses in the Company's United States land development contracting division, a reduction in Caribbean contract revenues and profits and decreased sales volume and lower profits in the concrete and related products division.

Liquidity and Capital Resources

In the land development contracting business, the Company often must expend considerable amounts of funds for equipment, labor and supplies to meet the needs of particular projects. The Company's capital needs are greatest at the start of any new contract, since the Company generally must complete 45 to 60 days of work before receiving the first progress payment. Periodic contract payments may not necessarily cover the Company's cash outlays then made to date. In addition, as a project continues, a portion of the progress billing is usually withheld as retainage until all work is complete, further increasing the need for capital. Therefore, as the volume of work in process increases, the Company's capital needs correspondingly increase. With respect to the Company's concrete and related products division, accounts receivable are typically outstanding for a minimum of 60 days and in some cases much longer.

At June 30, 1992, the Company's working capital was approximately $13.4 million, as compared to approximately $13.1 million at December 31, 1991. Although the Company reported net earnings of approximately $1.6 million for the six months ended June 30, 1992, working capital only increased by approximately $300,000, primarily because the Company had purchases of property, plant and equipment of approximately $4.5 million, of which approximately $2.5 was financed. The Company is evaluating its current equipment inventory and is attempting to sell certain items of equipment which are not currently needed in its business operations.

Notes receivable at June 30, 1992 include approximately $15.2 million, net due the Company pursuant to certain promissory notes delivered to the Company in connection with a construction contract with the Government of Antigua, approximately $2.6 million of which is classified as a current receivable. Scheduled payments call for both quarterly and monthly principal and interest payments until maturity in 1997. The Government of Antigua has routinely made the required quarterly payments aggregating $2 million per year but has made only some of the required monthly payments. The Company does not presently anticipate material increases in or accelerations of payments by the Government of Antigua.

Current assets at June 30, 1992 included approximately $1.3 million of cash and cash equivalents held by certain Caribbean subsidiaries of the Company; if such funds are distributed to the Company's United States operations, the Company may be subject to statutory United States Federal income tax on any amounts so distributed. The Company intends to permanently invest these monies offshore of the United States and to use such funds in connection with Caribbean operations and ventures.

Historically, the Company has funded its capital needs from operations. Net cash provided by operating activities was approximately $3.4 million for the six months ended June 30, 1992 and $5.0 million for the six months ended June 30, 1991. In comparison, net cash used by investing activities was approximately $4.3 million and $5.2 million for the six months ended June 30, 1992 and June 30, 1991, respectively. Increases or decreases in net cash provided by operating activities have generally been due to increases or

decreases in the Company's net earnings, while increases or decreases in net cash used by investing activities are primarily related to the issuance of notes receivable, advances to affiliates, purchase or installation of equipment and facilities and, to a lesser extent, the replacement of or additions to such equipment or facilities.

At June 30, 1992, the Company had revolving unsecured lines of credit in the amount of $5 million and $1 million from commercial banks in South Florida and the Caribbean, respectively, and the Company had approximately $4.7 million of borrowings outstanding under these lines of credit. Borrowings outstanding under the $5 million line of credit, which expires in August 1992, bear interest at the lesser of (a) the prime rate or (b) LIBOR plus two percent. Borrowings outstanding under the Company's $1 million line of credit, which expires in November 1992, bear interest at the prime rate plus one quarter of one percent. At June 30, 1992, the Company had approximately $4.3 million of borrowings outstanding under the $5 million line of credit and $375,000 of borrowings outstanding under the $1 million line of credit. The interest rate on indebtedness outstanding at June 30, 1992, was 6.0% under the $5 million line of credit and 6.75% under the $1 million line of credit. In December 1989, the Company entered into a $2 million unsecured line of credit pursuant to which interest only is paid until June 30, 1992, at which time borrowings outstanding will be converted into a 36-month term loan. Borrowings outstanding bear interest at the prime rate plus one quarter of one percent. The interest rate on indebtedness outstanding at June 30, 1992 was 6.75% and the Company had approximately $2 million of borrowings outstanding. In October 1990, the Company entered into a $2 million unsecured 48-month term loan. Borrowings outstanding bear interest at the prime rate. The interest rate on indebtedness outstanding at June 30, 1992 was 6.5% and the Company had approximately $1.2 million of borrowings outstanding.

The loss incurred by the Company for the year ended December 31, 1991 has placed the Company in violation of certain loan covenants. The applicable lenders have waived these violations through March 30, 1992 and March 31, 1992, however, there is no assurance that future violations will be waived. Any such waiver would depend upon the Company's results of operations and other factors. As the Company is presently in violation of certain covenants and has not received a waiver of future violations through the end of 1992, the $2 million unsecured line of credit has been reclassified from a long-term to a current liability. In the event required waivers are not obtained, the lenders would have a number of remedies available, including acceleration of payment. Although there is no assurance, the Company believes it could find alternative sources of financing, if necessary.

The Company purchases equipment from time to time as needed and has historically used several lenders to finance the purchase of equipment. At present, management believes that the Company's inventory of equipment is adequate for its current contractual commitments. Accordingly, other than normal equipment replacements and additions, management does not anticipate having to make a substantial investment in new equipment during the current year. The Company has available three secured lines of credit from commercial banks in both South Florida and the Caribbean. Amounts

outstanding under a $7 million line of credit bear interest at the lesser of the prime rate or LIBOR plus 2%; amounts outstanding under the Company's $2 million line of credit bear interest at the prime rate; and amounts outstanding under the Company's $1 million line of credit bear interest at the prime rate plus one quarter of one percent. All of these lines of credit are secured by specific equipment, with the borrowed amount not to exceed the lesser of 100 percent of the purchase price or market value of the equipment in the case of the $7 million line of credit and 80 percent of the purchase price or market value of the equipment in the case of the other two lines of credit. Initial principal balances due under these lines are repaid equally over a 48-month term, with the interest paid monthly. At June 30, 1992, the Company had outstanding borrowings of approximately $2.3 million under these lines, approximately $800,000 of which is outstanding and will be applied against the $7 million dollar line of credit and approximately $1.5 million of which is outstanding and will be applied against the other lines of credit. The Company has also used several other lenders to finance machinery and equipment purchases on an individual asset basis. At June 30, 1992, amounts outstanding to these lenders totalled approximately $5.3 million.

During 1991, the Company's cash flow was adversely affected by the inability of certain customers to promptly pay for goods and services purchased from the Company and the subsequent need for the Company to provide reserves for these amounts. The Company has provided long-term financing to the Government of Antigua, including approximately $8 million financed in 1991, and to certain other customers who have utilized its land development contracting services. The Company has also provided financing for other business ventures from time to time. The nature of the Company's business requires a significant investment in plant and equipment, as was done in 1991, along with the related maintenance and upkeep costs of such equipment.

The Company has funded many of these expenditures out of its current working capital. However, notwithstanding the foregoing and after factoring in the Company's obligations as set forth below, management believes that the Company's cash flow from operations, existing working capital and funds available from lines of credit will be adequate to meet the Company's anticipated needs for operations during the next twelve months.

The Company has contingent obligations and has made certain guarantees in connection with acquisitions, its participation in certain joint ventures, certain employee and construction bonding matters and its receipt of a tax exemption. In connection with its BBW acquisition, the Company agreed to pay the seller annually an amount per unit of certain concrete and stone products sold by the Company in St. Maarten from April 1, 1990 to March 31, 1997, but in no event less than $500,000 per year. In connection with its Tortola acquisition, the Company incurred a $1 million promissory note bearing interest at the prime rate and payable $333,333 per year plus accrued interest.

EFFECT OF INFLATION

During the past three years, inflation has not had a material adverse effect upon the Company. However, substantial inflation and the escalating interest costs associated therewith could have a materially adverse impact on the real estate and construction industries and, correspondingly, the Company. High inflation and resulting high interest rates can lead to a diminishing availability of construction contracts and dramatically increased competition for those contracts that become available. In addition, the level of inflation could adversely impact the Company's profits under long-term fixed-price contracts, although such impact may not be significant because the Company's long-term fixed-price contracts are usually less than two years in duration, and many of such contracts are less than one year in length. In addition to causing a decline in the level of activity in the construction industry, high inflation may also result in increased costs, and such decline in the construction industry and increase in costs could adversely affect the revenues and margins of the Company's concrete and related products division. In response to cost increases, the Company has generally been able to increase the sales prices for concrete and related products, although such increases sometimes lag behind initial cost increases. Substantial increases in the rate of inflation could also affect demand for the Company's concrete and related products that could, in turn, have a materially adverse effect upon the Company's results of operations.

II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is currently a Defendant, along with some of its executive officers and employees, in a legal action filed by Fore Golf, Inc., a subcontractor who was employed on a construction project completed by the company near Orlando, Florida. The action was filed in the Ninth Judicial Circuit Court in Orange County, Florida. Case No. CI 92-5289. The matter is entitled Fore Golf, Inc. vs. Devcon International Corporation, et al.

Fore Golf, Inc. claims compensatory damages of approximately $1.8 million dollars and alleges that the company breached the contract with Fore Golf, Inc. The complaint also contains claims against the company and certain officers and employees for fraud arising out of the contractual relationship. Fore Golf, Inc. is seeking punitive damages in the amount of $5 million dollars in connection with its fraud claim. The company and all other defendants have filed motions to dismiss on the grounds that the complaint fails to state a cause of action and has also moved to strike the claim for punitive damages. The Court has not yet ruled upon all of the pending motions. In the event that the Court does not dismiss the case, the company intends to vigorously defend against the allegations and to file a counterclaim against Fore Golf, Inc. at the appropriate time.

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits - None

b) Reports on Form 8-K - No reports on Form 8-K were filed by the Company during the second quarter of 1992.

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 13, 1992

By: /S/ Donald L. Smith, Jr.
Donald L. Smith, Jr.
President and Chief Executive Officer

Date: August 13, 1992

By: /S/ Walter B. Barrett
Walter B. Barrett
Vice President, Finance and Chief Financial Officer